

FINAL STATEMENT OF REASONS

- a) Specific Purpose of the Regulations and Factual Basis for Determination that Regulations Are Necessary

Section 63-501.3(r)

Specific Purpose:

This section is adopted to align restricted account exclusions with CalWORKs Eligibility and Assistance Standards (EAS) Manual Section 89-130 of the Department's Manual of Policies and Procedures (MPP).

Factual Basis:

This section is necessary to implement the Simplified Definition of Resources option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7 USC 2014(g)(6)(A)(i) provides state's the option of aligning resource exclusions with other cash assistance programs funded under Part A of Title IV of the Social Security Act.

Sections 63-502.2(i)

Specific Purpose:

This section is amended to reflect the age requirement of a student and is consistent with the alignment of CalWORKs EAS Manual Section 44-111 of the MPP for income exclusions.

Factual Basis:

This amendment is necessary to implement the Simplified Definition of Income option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7 USC 2014(d)(18)(A) enables the state to align income exclusions with other cash assistance programs funded under Part A of Title IV of the Social Security Act.

Section 63-502.2(p)

Specific Purpose:

This section is adopted to include additional income exclusions to existing regulations. Child support payments are changing from an income deduction to an income exclusion.

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171) amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income.

Section 63-502.2(q) and Handbook

Specific Purpose:

This section is adopted to include additional income exclusions to existing regulations. The Food Stamp Program is aligning income exclusions with those listed under Section 44-111, with the exception of Sections 44-111.222, .223, .224, .23 and .43.

Factual Basis:

This section is necessary to implement the Simplified Definition of Income option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7USC 2014(d)(18)(A) enables the state to align income exclusions with other cash assistance programs funded under Part A of Title IV of the Social Security Act.

Final Modification:

This section is amended, at the Department's discretion, to delete the term "exempt" and to add cross references to exceptions of excluded income from CalWORKs regulations to match current regulations and terminology. As a result of testimony received, Handbook Section 63-502.2(q)(1) adds the phrase "of excluded income" to remain consistent with current regulations. Finally, at the Department's discretion, Handbook Section 63-502.2(q)(1)(A) deletes the phrase "Federal and State" and substitutes the phrase "Any college" to be consistent with the aligned CalWORKs regulations.

Sections 63-502.363(a)(1) et seq., (b), (b)(1), and (c)

Specific Purpose:

These sections are amended to reflect the adoption of a mandatory Standard Utility Allowance (SUA). Section 63-502.363(a)(1) replaced "may" with "shall" to reflect the mandatory SUA. Sections 63-502.363(a)(3), (a)(4) and (a)(5) and (b) and (c) are repealed and current Section 63-502.363(d), (d)(1), and (e) are renumbered to Section 63-502.363(b), (b)(1), and (c) respectively.

Factual Basis:

These sections are amended to implement the Simplified Standard Utility Allowance option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7 USC 2014(e)(6)(C)(iii) allows states that require households to use a SUA, to make it

available to *all* households that experience a utility expense. Previous rules restricted those who qualified for the SUA and prevented two kinds of households; public housing that billed only for excess utility usage, and shared housing where utility costs were shared with others. The renumbering of the sections is necessary to maintain consistency in numbering.

Sections 63-502.363(d), (d)(1), and (e)

Specific Purpose:

Sections 63-502.363(d) and (e) are adopted to reflect alternative deductions of a Limited Utility Allowance (LUA) and Telephone Allowance for households which do not qualify for the SUA. Households will only be eligible for one; either the SUA, LUA, or Telephone Allowance.

Factual Basis:

These sections are adopted to implement the Limited Utility Allowance and Telephone Allowance that allows an alternative utility deduction to the Standard Utility Allowance, as outlined under 7CFR 273.9(d)(6)(C)(iii).

Final Modification:

Section 63-502.363(e) is amended at the Department's discretion, to clearly indicate that the telephone allowance referred to is correctly called the Telephone Utility Allowance (TUA).

Section 63-502.363(f)

Specific Purpose/Factual Basis:

This section is adopted and necessary to retain the *verification of utility expenses* outlined in repealed Section 63-502.363(a)(5).

Sections 63-502.372 through .376 (New)

Specific Purpose:

These sections are included to reflect the adoption of a mandatory Standard Utility Allowance (SUA) in Section 63-502.363 and to delete references to the terms "actual," and "actual costs," and to substitute the term "is eligible for" for "elects." In addition, relevant handbook language is corrected to reflect the amended regulatory language.

Factual Basis:

These sections are amended to implement the Farm Security and Rural Investment Act of 2002 (P.L. 107-171). 7U.S.C. 2014(e)(6)(C)(iii) allows states that require households to use

a SUA, to make it available to *all* households that incur a qualifying utility expense (heating or cooling).

Section 63-502.38

Specific Purpose:

This section is repealed to reflect the adoption of Section 63-502.2(p). A child support deduction is considered to be an income exclusion under new Section 63-502.2(p) and no longer an income deduction.

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171), amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income.

Sections 63-503.25 (QR) and .251(QR)

Specific Purpose:

This section is amended to reflect the adoption of Section 63-502.2(p). 7 USC 2014(e)(6)(C)(iii) allows states that require households to use a SUA, to make it available to *all* households that experience a utility expense.

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171), amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income.

Section 63-503.253(b)(QR)

Specific Purpose:

This section is amended to reflect the adoption of Section 63-502.2(p) and Section 63-502.363.

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171), amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income.

Sections 63-503.311(g), (h), and (i) and Sections 63-503.312(h), (i), and (j)

Specific Purpose:

These two sections are repealed to reflect the adoption of Section 63-502.2(p). In addition, Sections 63-503.311(h) and (i) are renumbered to Sections 63-503.311(g) and (h) and Sections 63-503.312(i) and (j) are renumbered to Sections 63-503.312 (h) and (i).

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171), amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income. The renumbering is necessary to maintain consistency in numbering.

Sections 63-503.441(a) and Sections 63-503.442(c)(2) and (c)(3)

Specific Purpose:

These sections are amended to reflect the adoption of Section 63-502.2(p).

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171), amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income.

Sections 63-504.421(c)(2), (c)(3), and (c)(4)

Specific Purpose:

Section 63-504.421(c)(2) is repealed to reflect the adoption of Section 63-502.363. Also Sections 63-504.421(c)(3) and (4) are renumbered to Sections 63-504.421(2) and (3), respectively. Because of the mandatory SUA, actual utility expenses will no longer be considered.

Factual Basis:

These sections are amended to implement the Simplified Standard Utility Allowance option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7 USC 2014(e)(6)(C)(iii) allows states that require households to use a SUA, to make it available to *all* households that experience a utility expense. The renumbering is necessary to maintain consistency in numbering.

Section 63-504.61(i)(B)(4) and Sections 63-504.631(a) and (b)

Specific Purpose:

These sections are amended to reflect the adoption of Section 63-502.363.

Factual Basis:

These sections are amended to implement the Simplified Standard Utility Allowance option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7 USC 2014(e)(6)(C)(iii) allows states that require households to use a SUA, to make it available to *all* households that experience a utility expense.

Sections 63-505.311 and .517

Specific Purpose:

These sections are amended to reflect the adoption of Section 63-502.2(p).

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171), amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income.

Sections 63-505.44(e) through (i)

Specific Purpose:

This section is amended to reflect the adoption of Section 63-502.363. In addition Sections 63-504.44(f) through (i) are renumbered to Sections 63-505.44(e) through (h), respectively.

Factual Basis:

This section is amended to implement the Simplified Standard Utility Allowance option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7 USC 2014(e)(6)(C)(iii) allows states that require households to use a SUA, to make it available to *all* households that experience a utility expense. The renumbering is necessary to maintain consistency in numbering.

Section 63-508.451

Specific Purpose:

This section is repealed to reflect the adoption of Section 63-502.2(p).

Factual Basis:

The Farm Security and Rural Investment Act of 2002 (Public Law 107-171) amended 7 USC 2014(d)(6) to provide the encouragement of child support payment by excluding legally obligated child support payments from consideration of income.

Section 63-509(a)(3)(C)

Specific Purpose:

This section is amended to reflect the adoption of Section 63-502.363.

Factual Basis:

This section is amended to implement the Simplified Standard Utility Allowance option provided under the Farm Security and Rural Investment Act of 2002 (Public Law 107-171). 7 USC 2014(e)(6)(C)(iii) allows states that require households to use a SUA, to make it available to *all* households that experience a utility expense.

b) Identification of Documents Upon Which Department is Relying

- 7 U.S.C. 2014(d)(6), (d)(18)(A), (e)(6)(C)(iii), and (g)(6)(A)(i)
- 7 CFR 273.9(d)(6)(iii)
- Farm Security and Rural Investment Act of 2002 (Public Law 107-171)

c) Local Mandate Statement

These regulations do impose a mandate upon local agencies, but not on school districts. There are no “state-mandated local costs” in these regulations which require state reimbursement under Section 17500 et seq. of the Government Code because any costs associated with the implementation of these regulations are costs mandated by the federal government within the meaning of Section 17513 of the Government Code. The local agencies, State, and Federal agencies share administrative costs. Increased costs in benefits are paid entirely by the Federal government.

d) Statement of Alternatives Considered

CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective and less burdensome to affected private persons than the proposed action.

e) Statement of Significant Adverse Economic Impact On Business

CDSS has made an initial determination that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

f) Testimony and Response

As a result of the July 12, 2006 public hearing, no oral comments were presented and written comments were received from a member of the public, Scott Blough; Kevin Aslanian, Executive Director of the Coalition of California Welfare Rights Organizations (CCWRO); and Nu Usaha, Attorney for the Western Center on Law and Poverty (WCLP). The general written comment from Scott Blough and the specific comments from the other testifiers and Department's responses follow.

Comment:

"I am highly concerned with this regulatory change to the food stamp program because the net effect will be an increase in recipient benefit levels and overall participation. I feel any increase would actually hinder the temporary aspects of our welfare system. Any increase in entitlement, must require the beneficiaries take some level of accountability. Free assistance undermines personal responsibility and any increase in benefits will further advance the destruction of personal responsibility in our culture.

"According to the General Accounting Office food stamps are often involved in overpayments and in a lot of cases are traded for cash in retail stores. They also are used to purchase and sell food at above market rates for profit for some food stamp recipients (sic). While I like that it reduces the costs to agencies, I am really concerned with the effects on the recipient. The goal should be to lower overall participation by moving recipients into self-sufficiency. By increasing benefits, it undermines this objective."

Response:

The Department has reviewed and considered the comment, but since it is not a specific comment regarding the proposed regulations, the Department is moving forward with the proposed amendments as set forth.

Section 63-502.2

Comment:

CCWRO supported this change.

Response:

See above response.

Section 63-502.2

Comment:

WCLP commented that it would be more clear to specify to what these examples refer. The lead-in Section 63-502.2(q)(1) should read: Examples of disregarded income include, but are not limited to, the following:'

Response:

The Department has reviewed the comment and will accept the proposed change to provide clarity, with one exception. The term "excluded" will be used to match the section title to provide consistency. Section 63-502.2(q)(1) has been amended to read as follows: "Examples of excluded income include, but are not limited to, the following:"

Section 63-502.2(q)

Comment:

CCWRO commented that this section does not exclude loans and grants and proposed striking out the partial cross reference "and .43" in this section.

Response:

Loans and grants are not included with the list of excluded income and therefore listed in Section 63-502(q) as an exception to the list. Since these exclusions already exist in current regulations, it is not necessary to include them.

Section 63-502.363

Comment:

WCLP commented that "(W)hile making SUA mandatory for all food stamp households may make it administratively less burdensome for both recipients and counties, this policy will adversely affect households in rural areas with high heating and cooling costs and those with household members who require medical equipments that utilize electricity to operate. The regulations should therefore allow food stamp households whose actual utility expenses exceed the SUA to be able to deduct these expenses and submit necessary verification."

Response:

The Department has reviewed and considered the comment but the decision to make the SUA mandatory will eliminate "actuals" from consideration for calculating the utility

deduction. The Department is moving forward with the amendments as set forth knowing that some households may be negatively affected but other households will have "actual" expenses less than the SUA and would benefit. The most recent California Food Stamp Characteristics Survey showed that only three per cent (3%) of all households claiming utility expenses, claimed actuals. Therefore, it has been determined that there is a minimal negative impact.

g) 15-Day Renotice Statement

Pursuant to Government Code Section 11346.8, a 15-day renotice and complete text of modifications made to the regulations were made available to the public following the public hearing from September 1, 2006 to September 18, 2006.

No written testimony was received on the modifications renoticed for public comment from September 1, 2006 to September 18, 2006.